

Njuguna Ndung'u: Cooperation between the Bank of South Sudan and the Central Bank of Kenya

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the 3rd Governors Consultative Forum on "Cooperation between the Bank of South Sudan and the Central Bank of Kenya", Kenya School of Monetary Studies, Nairobi, 19 December 2012.

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***Mr. Kornelio Koriom Mayik, Governor, Bank of South Sudan;
Members of the Technical Committee, Bank of South Sudan
and Central Bank of Kenya;***

The Central Bank of Kenya is delighted and honoured to host the 3rd Consultative Forum on cooperation between Bank of South Sudan and Central Bank of Kenya here at the Kenya School of Monetary School Studies.

I take this opportunity to welcome the Governor, Bank of South Sudan, H.E. Kornelio Koriom Mayik, and the entire BSS delegation to Nairobi, Kenya and more specifically to the Kenya School of Monetary Studies (KSMS).

The genesis of the cooperation between BSS and CBK goes back a few years ago before South Sudan became a Republic when a number of officials were hosted here at KSMS and the first Governor of BSS operated for a while from an office at CBK.

To date we have had two other Consultative Forums at Bank of South Sudan in Juba; the 1st one being in July 2012 and the 2nd in October 2012. The purpose of these forums is to strengthen the mutual cooperation between the two institutions and to seek solutions to common binding constraints.

During the 1st Consultative Forum, BSS outlined the challenges the Bank was facing, including;

- The capacity constraints in conventional banking operations;
- Facilitating Government borrowing from the domestic market and putting in place the necessary infrastructure;
- The need to put in place a framework and appropriate instruments for monetary policy implementation;
- The adverse impact of stoppage of oil revenues that led to reduced foreign currency revenues; and,
- The need to establish a functioning Capital Market

The CBK on its part identified a number of areas that it could provide support. This, combined with the challenges highlighted by BSS formed the basis for mutual cooperation between the two Central Banks.

During the 2nd Consultative Forum which was held in October 2012, we agreed to form a Technical Committee (TC) to fast-track the implementation of issues discussed during the 1st Consultative Forum.

The Terms of Reference of the Technical Committee were drawn up and agreed upon. Among the tasks given to this TC include;

1. To formulate a comprehensive Memorandum of Understanding between BSS and CBK;
2. To map out capacity building requirements for BSS and support to be provided by CBK to enhance operations at BSS;

3. To review and finalize a Balance Sheet for BSS;
4. To fast-track the opening and operationalization of reciprocal accounts at both BSS and CBK to facilitate trade between the two countries and solve the supply constraints of dollars in the market in South Sudan;
5. To formulate a method of determining the bilateral exchange rate;
6. To propose instruments to enhance Government borrowing and facilitate the deepening of the financial markets in South Sudan; and
7. To propose a comprehensive budget for the TC.

I am informed that the TC held its 1st meeting from 4th to 6th December, 2012 in Juba and that you have been holding the 2nd TC meeting in this same venue over the last two days. Governor Kornelio and myself look forward to the TC's report on the progress made on the tasks identified. In this particular meeting, we need to make tangible progress and produce meaningful results that the market participants and governments on both sides are waiting for.

I am pleased to hear that the Memorandum of Understanding has been finalized and reviewed by the Legal Counsels of the two Central Banks, who are present here with us today.

Before we give the chance to the TC for the presentation, I want to invite Governor Kornelio to make a few remarks.

Thank you.